BlueLinx Holdings Inc.
Form 10-K
February 28, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark one)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 30, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-32383

BLUELINX HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	**77-0627356**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4300 Wildwood Parkway, Atlanta, Georgia	**30339**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
770-953-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of June 30, 2006 was $138,089,699, based on the closing price on the New York Stock Exchange of $13.03 per share on June 30, 2006.

As of February 21, 2007, the registrant had 30,961,736 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of BlueLinx Holdings Inc. s definitive Proxy Statement for use in connection with its 2007 Annual Meeting of Stockholders, scheduled to be held on May 30, 2007, are incorporated by reference into Part III of this Report.

BLUELINX HOLDINGS INC.

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 30, 2006

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe, anticipate, expect, estimate, inter project, plan, will be, will likely continue, will likely result or words or phrases of similar meaning. All of these forward-looking statements are based on estimates and assumptions made by us that, although believed by us to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. These risks and uncertainties may include those discussed under the heading Risk Factors and other factors, some of which may not be known to us. We operate in a changing environment in which new risks can emerge from time to time. It is not possible for us to predict all of these risks, nor can we assess the extent to which any factor, or a combination of factors, may cause our business, strategy or actual results to differ materially from those contained in forward-looking statements. Factors you should consider that could cause these differences include, among other things:

- changes in the prices, supply and/or demand for products which we distribute;
- the activities of competitors;
- changes in significant operating expenses;
- changes in the availability of capital;
- our ability to identify acquisition opportunities and effectively and cost-efficiently integrate acquisitions;
- general economic and business conditions in the United States;
- adverse weather patterns or conditions;
- acts of war or terrorist activities;
- variations in the performance of the financial markets; and
- the other factors described herein under Risk Factors.

Given these risks and uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

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PART I

As used herein, unless the context otherwise requires, BlueLinx, the Company, we, us and our refer to BlueLinx Holdings Inc. and its subsidiaries. BlueLinx Corporation is the wholly-owned operating subsidiary of BlueLinx Holdings Inc. and is referred to herein as the operating company when necessary. Reference to fiscal 2006 refers to the 52-week period ended December 30, 2006. Reference to fiscal 2005 refers to the 52-week period ended December 31, 2005. Reference to fiscal 2004 refers to the 52-week period ended January 1, 2005 (fiscal 2004 is comprised of the period from inception (March 8, 2004) to January 1, 2005 and the period from January 4, 2004 to May 7, 2004).

ITEM 1. *BUSINESS.*

Company Overview

BlueLinx Holdings Inc., operating through our wholly-owned subsidiary, BlueLinx Corporation, is a leading distributor of building products in the United States. We operate in all of the major metropolitan areas in the United States and, as of December 30, 2006, we distributed more than 10,000 products to approximately 11,500 customers through our network of more than 70 warehouses and third-party operated warehouses.

We distribute products in two principal categories: structural products and specialty products. Structural products, which represented approximately 56% and 62% of our fiscal 2006 and fiscal 2005 gross sales, include plywood, oriented strand board (OSB), rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Specialty products, which represented approximately 44% and 38% of our fiscal 2006 and fiscal 2005 gross sales, include roofing, insulation, moulding, engineered wood, vinyl products (used primarily in siding) and metal products (excluding rebar and remesh).

Our customers include building materials dealers, industrial users of building products, manufactured housing builders and home improvement centers. We purchase products from over 750 vendors and serve as a national distributor for a number of our suppliers. We distribute products through our owned fleet of over 800 trucks and over 1,200 trailers, as well as by common carrier.

We were created on March 8, 2004 as a Georgia corporation named ABP Distribution Holdings Inc. (ABP). ABP was owned by Cerberus Capital Management, L.P. (Cerberus Capital Management, L.P. and its subsidiaries are referred to herein as Cerberus), a private, New York-based investment firm, and members of our management team. Prior to May 7, 2004, our assets were owned by the distribution division (the Division) of Georgia-Pacific Corporation (Georgia-Pacific). The Division commenced operations in 1954 with 13 warehouses primarily used as an outlet for Georgia-Pacific s plywood. On May 7, 2004, Georgia-Pacific sold assets of the Division to ABP. ABP subsequently merged into BlueLinx Holdings Inc. On December 17, 2004, we consummated an initial public offering of our common stock.

Our principal executive offices are located at 4300 Wildwood Parkway, Atlanta, Georgia 30339 and our telephone number is (770) 953-7000. Our filings with the U.S. Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports, are accessible free of charge at our official website, www.BlueLinxCo.com. We have adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K. This Code of Ethics applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics, our board committee charters and our corporate governance guidelines are publicly available at www.BlueLinxCo.com or upon request by writing to BlueLinx Holdings Inc., Attn: Corporate Secretary, 4300 Wildwood Parkway, Atlanta, Georgia 30339. If we make substantial amendments to our Code of Ethics or grant any waiver, including any implicit waiver, we are required to disclose the nature of such amendment or waiver on our website or in a report on Form 8-K of such amendment or waiver. The reference to our website does not constitute incorporation by reference of the information contained at the site.

Products and Services

As of December 30, 2006, we distributed more than 10,000 different structural and specialty products to approximately 11,500 customers nationwide. Our structural products are primarily used for structural support, walls, flooring and roofing in construction projects. Additional end-uses of our structural products include outdoor decks, sheathing, crates and boxes. Our specialty products include engineered lumber, roofing, insulation, metal products (excluding rebar and remesh), vinyl products (used primarily in siding), moulding, composite decking and particleboard. In some cases, these products are branded.

We also provide a wide range of value-added services and solutions to our customers and vendors including:

- providing less-than-truckload delivery services;
- pre-negotiated program pricing plans;
- inventory stocking;
- automated order processing through an electronic data interchange, or EDI, that provides a direct link between us and our customers;
- inter-modal distribution services, including railcar unloading and cargo reloading onto customers trucks; and
- back-haul services, when otherwise empty trucks are returning from customer deliveries.

Distribution Channels

We sell products through three main distribution channels:

Warehouse Sales

Warehouse sales are delivered from our warehouses to dealers, home improvement centers and industrial users. We deliver products primarily using our fleet of over 800 trucks and over 1,200 trailers, but also occasionally use common carriers for peak load flexibility. We operate in all of the major metropolitan areas in the United States through our network of more than 70 warehouses and third-party operated warehouses. Our warehouses have over eleven million square feet of space under roof plus significant outdoor storage space. Warehouse sales accounted for approximately 54% and 52% of our fiscal 2006 and fiscal 2005 gross sales.

Reload Sales

Reload sales are similar to warehouse sales but are shipped from third-party warehouses where we store owned product in order to expand our geographic reach. This channel is employed primarily to service strategic customers that would be uneconomical to service from our warehouses and to distribute large volumes of imported products such as metal or hardwood plywood from port facilities. A large portion of our Canadian sales are reload sales. We lease space at some third-party warehouse facilities in Canada. Reload sales accounted for approximately 13% of our fiscal 2006 and fiscal 2005 gross sales.

Direct Sales

Direct sales are shipped from the manufacturer to the customer without our taking physical inventory possession. This channel requires the lowest amount of committed capital and fixed costs. Direct sales accounted for approximately 33% and 35% of our fiscal 2006 and fiscal 2005 gross sales.

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Customers

As of December 30, 2006, our customer base included approximately 11,500 customers across multiple market segments and various end-use markets, including the following types of customers:

- building materials dealers;
- industrial users of building products;
- manufactured housing builders; and
- home improvement centers.

Sales and Marketing

Our sales efforts primarily are directed through our sales force of approximately 900 sales representatives. Approximately 500 of our sales representatives are located at our two sales centers in Denver and Atlanta. Within these sales centers, our sales representatives primarily interact with our customers over the telephone. The remaining 400 sales representatives are located throughout the country and are responsible for maintaining a local dialogue with our customers, including making frequent, in-person visits.

Our sales force is separated between industrial/dealer sales and home improvement center sales. Industrial/dealer sales are managed by regional vice-presidents with sales teams organized by customer regions. The majority of industrial/dealer orders are processed by telephone and are facilitated by our centralized database of customer preferences and purchasing history. We also have dedicated cross-functional customer support teams focused on strategic growth with the home improvement centers.

Suppliers

As of December 30, 2006, our vendor base included over 750 suppliers of both structural and specialty building products. In some cases, these products are branded. We have supply contracts in place with many of our vendors. Terms for these agreements frequently include prompt payment discounts and freight allowances and occasionally include volume discounts, growth incentives, marketing allowances, consigned inventory and extended payment terms.

Purchases of products manufactured by Georgia-Pacific accounted for approximately 24% and approximately 28% of total purchases in fiscal 2006 and fiscal 2005, respectively, with no other supplier accounting for more than 4% of our fiscal 2006 purchases. As part of the acquisition transactions, whereby we acquired the assets of Georgia-Pacific s distribution division, we entered into a Master Purchase, Supply & Distribution Agreement with Georgia-Pacific, or the Supply Agreement. The Supply Agreement details distribution rights by product categories, including exclusivity rights and minimum supply volume commitments from Georgia-Pacific with respect to certain products. This agreement also details our purchase obligations by product categories, including substantial minimum purchase volume commitments with respect to most of the products supplied to us. Based on 2006 average market prices, our purchase obligation under this agreement is approximately $1.2 billion for the next three years. If we fail or refuse to purchase any products that we are obligated to purchase pursuant to the Supply Agreement, Georgia-Pacific has the right to sell products to third parties and for certain products terminate our exclusivity, and we may be required to pay monetary penalties. The agreement has a five-year initial term expiring on May 7, 2009, and remains continuously in effect thereafter unless it is terminated. Termination of the Supply Agreement requires two years notice, exercisable after year four of the agreement. The Supply Agreement may be terminated by either party for material breach. However, if the material breach only affects one or more, but not all, of the product categories, the non-breaching party may only terminate the Supply Agreement in respect of the affected product categories, and the Supply Agreement will remain in full force with respect to the remaining product categories. The Supply Agreement also provides for certain advertising, marketing and promotion arrangements between BlueLinx and Georgia-Pacific for certain products. In addition, we have been granted a limited, non-exclusive, royalty-free, fully paid license to use certain proprietary information and intellectual property of Georgia-Pacific.

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Competition

The U.S. building products distribution market is a highly fragmented market, served by a small number of multi-regional distributors, several regionally focused distributors and a large number of independent local distributors. Local and regional distributors tend to be closely held and often specialize in a limited number of segments, such as the roofing segment, in which they offer a broader selection of products. Some of our multi-regional competitors are part of larger companies and therefore have access to greater financial and other resources than us. We compete on the basis of breadth of product offering, consistent availability of product, product price and quality, reputation, service and distribution facility location.

Our two largest competitors are Weyerhaeuser Company, or Weyerhaeuser, and Boise Cascade Company, or Boise Cascade. Weyerhaeuser and Boise Cascade are integrated building products manufacturers-distributors that offer products manufactured by themselves as well as third-party manufactured products. Most major markets are served by at least one of these distributors.

Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season. We expect these trends to continue for the foreseeable future.

Trademarks

As of January 31, 2007, we had 36 U.S. trademark applications and registrations, one issued U.S. patent and two Canadian trademark registrations. Depending on the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained and they have not become generic. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use. Our patent expires in September 2013. We do not believe our business is dependent on any one of our trademarks or on our patent.

Employees

As of January 31, 2007 we employed approximately 3,300 persons on a full-time basis. Approximately 1,040 of our employees are represented by labor unions. As of January 31, 2007, we had approximately 48 collective bargaining agreements, of which 10, representing 186 employees, are up for renewal in 2007. We consider our relationship with our employees generally to be good.

Executive Officers of the Registrant

The following table contains the name, age and position with our company of each of our executive officers as of February 15, 2007. There are no arrangements or understandings between any of our executive officers and any other person pursuant to which any executive officer was or is to be selected as an officer.

Name	Age	Position

Stephen E. Macadam	46	Chief Executive Officer and Director
George R. Judd	46	President and Chief Operating Officer
Lynn A. Wentworth	48	Senior Vice President, Chief Financial Officer and Treasurer
David J. Dalton	48	Senior Vice President, West
Duane G. Goodwin	48	Senior Vice President, Supply Chain
Steven G. Skinner	44	Senior Vice President, Industrials
Barbara V. Tinsley	55	Senior Vice President, General Counsel and Secretary
Dean A. Adelman	41	Vice President, Human Resources

Stephen E. Macadam has served as our Chief Executive Officer since October 2005, and as a member of our Board since June 2004. Prior to his joining our Company, Mr. Macadam was the President and Chief Executive Officer of Consolidated Container Company LLC since August 2001. He served previously with Georgia-Pacific where he held the position of Executive Vice President, Pulp & Paperboard from July 2000 until August 2001, and the position of Senior Vice President, Containerboard & Packaging from March 1998 until July 2000. Mr. Macadam held positions of increasing responsibility with McKinsey and Company, Inc. from 1988 until 1998, culminating in the role of Principal in charge of McKinsey s Charlotte, North Carolina operation. Mr. Macadam is a member of the board of directors of Solo Cup Company. Mr. Macadam received a B.S. in mechanical engineering from the University of Kentucky, an M.S. in finance from Boston College and a Masters of Business Administration from Harvard Business School, where he was a Baker Scholar.

George R. Judd has served as our President and Chief Operating Officer since May 2004. Prior to that time, he worked for Georgia-Pacific Corporation in a variety of positions managing both inside and outside sales, national accounts and most recently as Vice President of Sales and Eastern Operations since 2002. From 2000 until 2002, Mr. Judd worked as Vice President of the North and Midwest regions of the Distribution Division. He served as Vice President of the Southeast region from 1999 to 2000. Mr. Judd serves on the board of the Building Products Institute in Washington, D.C., and he is past Chair of the National Lumber & Building Material Dealers Association. He also serves on the board of the Girl Scouts of Georgia. He graduated from Western Connecticut State University in 1984 with a Bachelor s degree in Marketing.

Lynn A. Wentworth has served as our Senior Vice President, Chief Financial Officer and Treasurer since January 2007. Ms. Wentworth was previously employed by BellSouth Corporation since 1985 progressing through a variety of positions of increasing responsibility, including tax, strategic planning, investor relations, financial planning, consumer sales and treasury. Most recently, Ms. Wentworth served as Vice President and Chief Financial Officer for BellSouth s Communications Group since 2005. Prior to that, she served as BellSouth s Vice President and Treasurer from 2003 through 2004. She also served as BellSouth s Assistant Vice President, Accounts Receivable Management from 2002 through 2003. Prior to joining BellSouth, she held various tax and audit positions in public accounting. Ms. Wentworth earned a Bachelor of Science in Business Administration degree from Babson College in Wellesley, Mass., a Master of Science in Taxation degree from Bentley College in Waltham, Mass., and a Master of Business Administration degree from Georgia State University. She is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Georgia Society of Certified Public Accountants. She also serves on the board of The Community Foundation of Greater Atlanta.

David J. Dalton has served as our Senior Vice President, West since January 2006. Prior to that time, Mr. Dalton served as Vice President of the Mid-Atlantic region since May 2004. Previously, he worked for Georgia-Pacific Corporation in a variety of positions managing both inside and outside sales, and most recently as Vice President/General Manager of the Mid-Atlantic region of the Distribution Division since 1995. He graduated from the University of Massachusetts in 1980 with a Bachelor of Science degree in Wood Science and Technology.

Duane G. Goodwin has served as our Senior Vice President, Supply Chain since December 2005. Prior to that time, Mr. Goodwin was with The Home Depot since April 1994, where he served in a variety of positions including Vice President/Merchandising Hardware from July 2003 to February 2005, Vice President Global Sourcing from July 2000 to July 2003, and Divisional Merchandise Manager from April 1999 to July 2000. Before this Mr. Goodwin was with Wal-Mart Stores, Inc., where he served in a variety of roles from 1985 through April 1994. Prior to joining our Company, Mr. Goodwin also served as an outside consultant to Cerberus beginning in June 2005.

Steven G. Skinner has served as our Senior Vice President, Industrials since January 2007. Prior to that time he served as our Senior Vice President, Strategy & Business Development since December 2005. Previously, Mr. Skinner served as President and CEO of Peppers & Rogers Group/Carlson Marketing Group, a management consulting and marketing services company, since 2000. Before this, Mr. Skinner was a Principal with McKinsey & Company, where he was a leader of its transportation and marketing practices. From 1985 to 1989 Mr. Skinner was Manager of Construction Sales at Johnson Controls, Inc. Mr. Skinner received a

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Bachelor of Mechanical Engineering degree, summa cum laude, from Georgia Institute of Technology, and a Masters of Business Administration degree from Harvard Business School. Prior to joining our Company, Mr. Skinner also served as an outside consultant to Cerberus beginning in July 2005.

Barbara V. Tinsley has served as our Senior Vice President, General Counsel and Secretary since May 2004. Prior to that time, Ms. Tinsley served as Associate General Counsel for Cendian Corporation since September 2002, and as Assistant General Counsel for Mitsubishi Electric and Electronics USA, Inc. from October 2000 until September 2002. From August 1998 until August 2000, Ms. Tinsley served as Corporate Compliance Officer for The Home Depot. She was Chief Counsel to Georgia-Pacific Corporation s Distribution Division from 1992 to 1998 and represented a number of other divisions of Georgia-Pacific from 1987 to 1992. Prior to that, Ms. Tinsley was an Assistant United States Attorney with the Department of Justice for five years. Ms. Tinsley previously served as Chairman of the Antitrust Section of the State Bar of Georgia. Ms. Tinsley received a Bachelor of Arts degree, magna cum laude, in 1971 from Emory University and a Juris Doctor degree, with distinction, from Emory in 1975.

Dean A. Adelman has served as our Vice President Human Resources since October 2005. Prior to that time, he served as Vice President Human Resources, Staff Development & Training for Corrections Corporation of America. Previously, Mr. Adelman served as Vice President Human Resources for Arby s Inc. (formerly RTM Restaurant Group) from 1998 to 2002. From 1991 to 1998, Mr. Adelman served as senior counsel for Georgia-Pacific Corporation. Mr. Adelman received a Bachelor of Arts degree from the University of Georgia in 1987 and a Juris Doctor degree, cum laude, from the University of Georgia in 1990.

Environmental and Other Governmental Regulations

Environmental Regulation and Compliance

Our operations are subject to various federal, state, provincial and local laws, rules and regulations. We are subject to environmental laws, rules and regulations that limit discharges into the environment, establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of hazardous materials, substances and wastes, and require cleanup of contaminated soil and groundwater. These laws, ordinances and regulations are complex, change frequently and have tended to become more stringent over time. Many of them provide for substantial fines and penalties, orders (including orders to cease operations) and criminal sanctions for violations. They may also impose liability for property damage and personal injury stemming from the presence of, or exposure to, hazardous substances. In addition, certain of our operations require us to obtain, maintain compliance with, and periodically renew permits.

Certain of these laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, may require the investigation and cleanup of an entity s or its predecessor s current or former properties, even if the associated contamination was caused by the operations of a third party. These laws also may require the investigation and cleanup of third-party sites at which an entity or its predecessor sent hazardous wastes for disposal, notwithstanding that the original disposal activity accorded with all applicable requirements. Liability under such laws may be imposed jointly and severally, and regardless of fault.

Georgia-Pacific Corporation has agreed to indemnify us against any claim arising from environmental conditions that existed prior to May 7, 2004. In addition, we carry environmental insurance. While we do not expect to incur significant independent costs arising from environmental conditions, there can be no assurance that all such costs will be covered by indemnification or insurance.

We are also subject to the requirements of the U.S. Department of Labor Occupational Safety and Health Administration, or OSHA. In order to maintain compliance with applicable OSHA requirements, we have established uniform safety and compliance procedures for our operations and implemented measures to prevent workplace injuries.

The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation.

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We incur and will continue to incur costs to comply with the requirements of environmental, health and safety and transportation laws, ordinances and regulations. We anticipate that these requirements will become more stringent in the future, and we cannot assure you that compliance costs will not be material.

ITEM 1A. *RISK FACTORS.*

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Our industry is highly cyclical, and prolonged periods of weak demand or excess supply may reduce our net sales and/or margins, which may reduce our net income.

The building products distribution industry is subject to cyclical market pressures. Prices of building products are determined by overall supply and demand in the market for building products. Market prices of building products historically have been volatile and cyclical and we have limited ability to control the timing and amount of pricing changes for building products. Demand for building products is driven mainly by factors outside of our control, such as general economic and political conditions, interest rates, the construction, repair and remodeling and industrial markets, weather and population growth. The supply of building products fluctuates based on available manufacturing capacity, and excess capacity in the industry can result in significant declines in market prices for those products. To the extent that prices and volumes experience a sustained or sharp decline, our net sales and margins would likely decline as well. Our results in some periods have been affected by market volatility, including a reduction in gross profits due to a decline in the resale value of our structural products inventory. All of these factors make it difficult to forecast our operating results.

Our cash flows and capital resources may be insufficient to make required payments on our substantial indebtedness and future indebtedness.

We have a substantial amount of debt. As of December 30, 2006, advances outstanding under our revolving credit facility were approximately $237 million, borrowing availability was approximately $281 million and outstanding letters of credit on the facility were approximately $11.1 million. We also have a mortgage loan in the amount of $295 million.

Our substantial debt could have important consequences to you. For example, it could:

- make it difficult for us to satisfy our debt obligations;
- make us more vulnerable to general adverse economic and industry conditions;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate requirements;
- expose us to interest rate fluctuations because the interest rate on the debt under our revolving credit facility is variable;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

place us at a competitive disadvantage compared to competitors that may have proportionately less debt.

In addition, our ability to make scheduled payments or refinance our obligations depends on our successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control. These factors include, among others:

economic and demand factors affecting the building products distribution industry;

pricing pressures;

increased operating costs;

competitive conditions; and

other operating difficulties.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. Obtaining additional capital or restructuring our debt could be accomplished in part, through new or additional borrowings or placements of debt or equity securities. There is no assurance that we could obtain additional capital or restructure our debt on terms acceptable to us or at all. In the event that we are required to dispose of material assets or operations to meet our debt service and other obligations, the value realized on such assets or operations will depend on market conditions and the availability of buyers. Accordingly, any such sale may not, among other things, be for a sufficient dollar amount. Our obligations under the revolving credit facility are secured by a first priority security interest in all of our operating company s inventories, receivables and proceeds from those items. In addition, our mortgage loan is secured by the majority of our real property. The foregoing encumbrances may limit our ability to dispose of material assets or operations. We also may not be able to restructure our indebtedness on favorable economic terms, if at all. We may incur substantial additional indebtedness in the future, including under the revolving credit facility. Our incurrence of additional indebtedness would intensify the risks described above.

The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business.

Our revolving credit facility and mortgage loan contain various restrictive covenants and restrictions, including financial covenants customary for asset-based loans that limit our management s discretion in operating our business. In particular, these instruments limit our ability to, among other things:

incur additional debt;

grant liens on assets;

make investments, including capital expenditures;

sell or acquire assets outside the ordinary course of business;

engage in transactions with affiliates; and

make fundamental business changes.

If we fail to maintain minimum excess availability of $40 million under the revolving credit facility, the revolving credit facility requires us to (i) maintain certain financial ratios and (ii) limit our capital expenditures. If we fail to comply with the restrictions in the revolving credit facility, the mortgage loan documents or any other current or future financing agreements, a default may allow the creditors under the relevant instruments to accelerate the related debt and to exercise their remedies under these agreements, which will typically include the right to declare the principal amount of that debt, together with accrued and unpaid interest and other related amounts, immediately due and payable, to exercise any remedies the creditors may have to foreclose on assets that are subject to liens securing that debt and to terminate any commitments they had made to supply further funds.

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We depend upon a single supplier, Georgia-Pacific, for a significant percentage of our products and have significant purchase commitments under our Supply Agreement with Georgia-Pacific.

Georgia-Pacific is our largest supplier, accounting for approximately 24% and approximately 28% of our purchases during fiscal 2006 and fiscal 2005, respectively. Concurrent with the acquisition, we entered into a Supply Agreement with Georgia-Pacific. The Supply Agreement has a five-year initial term expiring on May 7, 2009 and remains continuously in effect thereafter unless it is terminated. Termination of the Supply Agreement requires two years notice, exercisable after year four of the agreement. It may be terminated, including before year five, by Georgia-Pacific upon a material breach of the agreement by us. If Georgia-Pacific does not renew the Supply Agreement or if it discontinues sales of a product, we would experience a product shortage unless and until we obtain a replacement supplier. We may not be able to obtain replacement products on favorable economic terms, if at all. An inability to replace products on favorable economic terms would adversely impact our net sales and our costs, which in turn could impact our gross profit, net income and cash flows.

We believe that the economic terms of the Supply Agreement are beneficial to us since they provide us with certain discounts off standard industry pricing indices, certain cash discounts and favorable payment terms. While we also believe these terms benefit Georgia-Pacific, Georgia-Pacific could, if it chose, terminate the Supply Agreement as early as May 7, 2010. If it did so and we could not obtain comparable terms from Georgia-Pacific or another vendor thereafter, our operating performance could be impaired by an interruption in the delivery of products and/or an increase in cost to us from sourcing comparable products from other suppliers.

Under the Supply Agreement, we have substantial minimum purchase volume commitments with respect to a number of products supplied to us. Based on 2006 average market prices, our purchase obligations under this agreement are $1.2 billion for the next three years. These products account for a majority of our purchases from Georgia-Pacific. If we fail or refuse to purchase any products that we are obligated to purchase pursuant to the Supply Agreement, Georgia-Pacific has the right to sell products to third parties and, for certain products, terminate our exclusivity, which could reduce our net sales due to the unavailability of products or our gross profit if we are required to pay higher product prices to other suppliers. A reduction in our net sales or gross profit may also reduce our net income and cash flows.

Our industry is highly fragmented and competitive. If we are unable to compete effectively, our net sales and net income will be reduced.

The building products distribution industry is highly fragmented and competitive and the barriers to entry for local competitors are relatively low. Some of our competitors are part of larger companies and therefore have access to greater financial and other resources than us. In addition, certain product manufacturers sell and distribute their products directly to customers. Additional manufacturers of products distributed by us may elect to sell and distribute directly to end-users in the future or enter into exclusive supply arrangements with other distributors. Finally, we may not be able to maintain our costs at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, our net sales and net income will be reduced.

Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows.

Part of our growth strategy includes pursuing acquisitions. Any integration process may be complex and time consuming, may be disruptive to the business and may cause an interruption of, or a distraction of management s attention from, the business as a result of a number of obstacles, including but not limited to:

the loss of key customers of the acquired company;

the incurrence of unexpected expenses and working capital requirements;

a failure of our due diligence process to identify significant issues or contingencies;

difficulties assimilating the operations and personnel of the acquired company;

difficulties effectively integrating the acquired technologies with our current technologies;

our inability to retain key personnel of acquired entities;

failure to maintain the quality of customer service;

our inability to achieve the financial and strategic goals for the acquired and combined businesses; and

difficulty in maintaining internal controls, procedures and policies.

Any of the foregoing obstacles, or a combination of them, could increase selling, general and administrative expenses in absolute terms and/or as a percentage of net sales, which could in turn negatively impact our net income and cash flows.

We have completed two acquisitions, to date. On July 22, 2005 we completed the acquisition of the assets of California-based hardwood lumber company Lane Stanton Vance (LSV), and on August 7, 2006 we completed the acquisition of the Texas-based hardwood lumber distribution company, Austin Hardwoods, LTD. We may not be able to consummate acquisitions in the future on terms acceptable to us, or at all. In addition, future acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of that company and the risk that those historical financial statements may be based on assumptions which are incorrect or inconsistent with our assumptions or approach to accounting policies. Any of these material obligations, liabilities or incorrect or inconsistent assumptions could adversely impact our results of operations.

A significant percentage of our employees are unionized. Wage increases or work stoppages by our unionized employees may reduce our results of operations.

As of January 31, 2007, approximately 1,040 of our employees were represented by various labor unions. As of January 31, 2007, we had approximately 48 collective bargaining agreements, of which 10, covering 186 total employees, are up for renewal in 2007. We may become subject to material cost increases, or additional work rules imposed by agreements with labor unions. The foregoing could increase our selling, general and administrative expenses in absolute terms and/or as a percentage of net sales. In addition, work stoppages or other labor disturbances may occur in the future, which could adversely impact our net sales and/or selling, general and administrative expenses. All of these factors could negatively impact our net income and cash flows.

Federal and state transportation regulations could impose substantial costs on us which would reduce our net income.

We use our own fleet of over 800 trucks and over 1,200 trailers to service customers throughout the United States. The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, trailer length and configuration, or driver hours of service would increase our costs, which, if we are unable to pass these cost increases on to our customers, would reduce our gross margins, increase our selling, general and administrative expenses and reduce our net income.

Environmental laws impose risks and costs on us.

Our operations are subject to federal, state, provincial and local laws, rules and regulations governing the protection of the environment, including, but not limited to, those regulating discharges into the air and water, the use, handling and disposal of hazardous or toxic substances, the management of wastes, the cleanup of contamination and the control of noise and odors. We have made, and will continue to make, expenditures to comply with these requirements. While we believe, based upon current information, that we are in substantial compliance with all applicable environmental laws, rules and regulations, we could be subject to potentially significant fines or penalties for any failure to comply. Moreover, under certain environmental laws, a current or previous owner or operator of real property, and parties that generate or transport hazardous substances that

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are disposed of at real property, may be held liable for the cost to investigate or clean up such real property and for related damages to natural resources. We may be subject to liability, including liability for investigation and cleanup costs, if contamination is discovered at one of our current or former warehouse facilities, or at a landfill or other location where we have disposed of, or arranged for the disposal of, wastes. Georgia-Pacific has agreed to indemnify us against any claim arising from environmental conditions that existed prior to May 7, 2004. We also carry environmental insurance. However, any remediation costs not related to conditions existing prior to May 7, 2004 may not be covered by indemnification. In addition, certain remediation costs may not be covered by insurance. In addition, we could be subject to claims brought pursuant to applicable laws, rules or regulations for property damage or personal injury resulting from the environmental impact of our operations. Increasingly stringent environmental requirements, more aggressive enforcement actions, the discovery of unknown conditions or the bringing of future claims may cause our expenditures for environmental matters to increase, and we may incur material costs associated with these matters.

We have a limited operating history as a separate company. Accordingly, the Division s historical financial information may not be representative of our results as a separate company.

On May 7, 2004, we and our operating company acquired the real estate and operating assets of the Division, respectively. Therefore, our operating history as a separate company is limited. Our business strategy as an independent entity may not be successful on a long-term basis. We may not be able to grow our business as planned and may not remain a profitable business. The historical financial information of the Division included in this filing may not necessarily reflect what our results of operations, financial condition and cash flows would have been had we been a separate, independent entity pursuing our own strategies during the periods presented.

Anti-terrorism measures may harm our business by impeding our ability to deliver products on a timely and cost-effective basis.

In the event of future terrorist attacks or threats on the United States, federal, state and local authorities could implement various security measures, including checkpoints and travel restrictions on large trucks. Our customers typically need quick delivery and rely on our on-time delivery capabilities. If security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our customers, or may incur increased expenses to do so.

We may incur substantial costs relating to Georgia-Pacific s product liability related claims.

Georgia-Pacific is a defendant in suits brought in various courts around the nation by plaintiffs who allege that they have suffered personal injury as a result of exposure to products containing asbestos. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Georgia-Pacific. Although the terms of the asset purchase agreement provide that Georgia-Pacific will indemnify us against all obligations and liabilities arising out of, relating to or otherwise in any way in respect of any product liability claims (including, without limitation, claims, obligations or liabilities relating to the presence or alleged presence of asbestos-containing materials) with respect to products purchased, sold, marketed, stored, delivered, distributed or transported by Georgia-Pacific and its affiliates, including the Division prior to the acquisition, it could be possible that circumstances may arise under which asbestos-related claims against Georgia-Pacific could cause us to incur substantial costs.

For example, in the event that Georgia-Pacific is financially unable to respond to an asbestos product liability claim, plaintiffs lawyers may, in order to obtain recovery, attempt to sue us, in our capacity as owner of assets sold by Georgia-Pacific, despite the fact that the assets sold to us did not contain asbestos. Asbestos litigation has, over the years, proved unpredictable, as the aggressive and well-financed asbestos plaintiffs bar has been creative, and often successful, in bringing claims based on novel legal theories and on expansive interpretations of existing legal theories.

These claims have included claims against companies that did not manufacture asbestos products. As a result of these factors, a number of companies have been held liable for amounts far in excess of their perceived exposure. Although we believe, based on our understanding of the

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law as currently interpreted, that we should not be held liable for any of Georgia-Pacific s asbestos-related claims, and, to the contrary, that we would prevail on summary judgment on any such claims, there is nevertheless a possibility that new theories could be developed, or that the application of existing theories could be expanded, in a manner that would result in liability for us. Any such liability could ultimately be borne by us if Georgia-Pacific is unable to fulfill its indemnity obligation under the asset purchase agreement with us.

Affiliates of Cerberus control us and may have conflicts of interest with other stockholders in the future.

Funds and accounts managed by Cerberus or its affiliated management companies, which are referred to collectively as the controlling stockholder, collectively own approximately 59% of our common stock. As a result, the controlling stockholder will continue to be able to control the election of our directors, determine our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions.

Four of our ten directors are employees of Cerberus. The controlling stockholder also has sufficient voting power to amend our organizational documents. The interests of the controlling stockholder may not coincide with the interests of other holders of our common stock. Additionally, the controlling stockholder is in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The controlling stockholder may also pursue, for its own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as the controlling stockholder continues to own a significant amount of the outstanding shares of our common stock, it will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions. In addition, because we are a controlled company within the meaning of the New York Stock Exchange rules, we are exempt from the NYSE requirements that our board be composed of a majority of independent directors, and that our compensation and nominating/corporate governance committees be composed entirely of independent directors.

Even if Cerberus no longer controls us in the future, certain provisions of our charter documents and agreements and Delaware law could discourage, delay or prevent a merger or acquisition at a premium price.

Our Amended and Restated Certificate of Incorporation and Bylaws contain provisions that:

- permit us to issue, without any further vote or action by the stockholders, up to 30 million shares of preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of such series, and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series; and

- limit the stockholders ability to call special meetings.

These provisions may discourage, delay or prevent a merger or acquisition at a premium price.

In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, which also imposes certain restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. Further, certain of our incentive plans provide for vesting of stock options and/or payments to be made to our employees in connection with a change of control, which could discourage, delay or prevent a merger or acquisition at a premium price.

We intend to continue to pay dividends on our common stock but may change our dividend policy; the instruments governing our indebtedness contain various covenants that may limit our ability to pay dividends.

We intend to continue to pay dividends on our common stock at the quarterly rate of $0.125 per share. Our board of directors may, in its discretion, modify or repeal its dividend policy. Future dividends, if any, with respect to shares of our common stock will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. Accordingly, we may not be able to pay dividends in any given amount in the future, or at all.

Our revolving credit facility limits distributions by our operating company to us, which, in turn, may limit our ability to pay dividends to holders of our common stock. See Notes to Financial Statements Note 8. Revolving Credit Facility for more information on limits on our ability to pay dividends.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS.***

None.

ITEM 2. ***PROPERTIES.***

We lease approximately 250,000 square feet for our corporate headquarters located at 4300 Wildwood Parkway, Atlanta, Georgia 30339. We operate warehouse facilities in over 65 markets nationwide. We own 64 warehouse facilities and lease 15 additional warehouse facilities. The total square footage under roof at our owned and leased warehouses is approximately 11 million square feet. Our Denver sales center and 57 of our owned warehouse facilities secure our mortgage loan.

The following table summarizes our real estate facilities including their inside square footage:

Facility Type	Number	Owned Facilities (ft^2)	Leased Facilities (ft^2)
Office Space(1)	3	68,700	251,900
Warehouses	79	10,300,000	875,000
TOTAL	82	10,368,700	1,126,900

(1) Includes corporate headquarters in Atlanta, the Denver Sales Center and a call center in Vancouver.

We also store materials outdoors, such as lumber and rebar, at all of our warehouse locations, which increases their distribution and storage capacity. We believe that substantially all of our property and equipment is in good condition, subject to normal wear and tear, except for the New Orleans facility, which is presently operating on a reduced basis due to damage from Hurricane Katrina. We anticipate the New Orleans facility will be fully restored in 2007. We believe that our facilities have sufficient capacity to meet current and projected distribution needs.

ITEM 3. ***LEGAL PROCEEDINGS.***

On November 19, 2004, we received a letter from Wickes Lumber, or Wickes, asserting that approximately $16 million in payments received by the Division during the 90-day period prior to Wickes January 20, 2004

Chapter 11 filing were preferential payments under section 547 of the United States Bankruptcy Code. On October 14, 2005, Wickes Inc. filed a lawsuit in the United States Bankruptcy Court for the Northern District of Illinois titled Wickes Inc. v. Georgia Pacific Distribution Division (BlueLinx), (Bankruptcy Adversary Proceeding No. 05-2322) asserting its claim. On November 14, 2005, we filed an answer to the complaint denying liability. Although the ultimate outcome of this matter cannot be determined with certainty, we believe Wickes assertion to be without merit and, in any event, subject to one or more complete defenses, including, but not limited to, that the payments were made and received in the ordinary course of business and were a substantially contemporaneous exchange for new value given to Wickes. Accordingly, we have not recorded a reserve with respect to the asserted claim.

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We are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results or cash flows, based on our current understanding of the relevant facts. Legal expenses incurred related to these contingencies are generally expensed as incurred. We establish reserves for pending or threatened proceedings when the costs associated with such proceedings become probable and can be reasonably estimated.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.*

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2006.

PART II

ITEM 5. *MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

Our equity securities consist of one class of common stock. The common stock began trading on December 16, 2004. The common stock is traded on the New York Stock Exchange under the symbol BXC . The following table sets forth, for the periods indicated, the range of the high and low sales prices for the common stock as quoted on the New York Stock Exchange:

	High	Low
Fiscal Year Ended December 30, 2006		
First Quarter	$ 16.95	$ 11.16
Second Quarter	16.59	11.70
Third Quarter	13.50	9.26
Fourth Quarter	11.20	8.80
Fiscal Year Ended December 31, 2005		
First Quarter	$ 18.25	$ 12.73
Second Quarter	14.08	9.81
Third Quarter	14.38	8.25
Fourth Quarter	13.86	9.25

As of February 21, 2007, there were 38 registered stockholders, and, as of that date we estimate there were approximately 4,150 beneficial owners holding our common stock in nominee or street name.

We paid a cash dividend of $0.125 per share for each of our fiscal quarters beginning in March 2005. We currently intend to continue to pay dividends on our common stock at the quarterly rate of $0.125 per share. Our board of directors may, in its discretion, modify or repeal our dividend policy. Future dividends, if any, with respect to our shares of common stock will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. See Item 8. Financial Statements and Supplementary Data, Note 8. Revolving Credit Facility for additional information regarding limitations on the ability of BlueLinx Corporation to transfer funds to its parent, BlueLinx Holdings Inc., which could impact our ability to pay dividends to our stockholders. Accordingly, we may not be able to continue to pay dividends at the same quarterly rate in the future, if at all.

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Equity Compensation Plan Information

The following table provides information about the shares of our common stock that may be issued upon the exercise of options and other awards under our existing equity compensation plans as of December 30, 2006. Our stockholder-approved equity compensation plans are the 2004 Equity Incentive Plan and the 2006 Long-Term Equity Incentive Plan. We do not have any non-stockholder approved equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
Equity compensation plans approved by security holders	1,845,558	$ 10.98	1,351,539
Equity compensation plans not approved by security holders		n/a	
Total	1,845,558	$ 10.98	1,351,539

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Performance Graph

The chart below compares the quarterly percentage change in the cumulative total stockholder return on our common stock with the cumulative total return on the Russell 2000 Index and a peer group index for the period commencing December 16, 2004 (the first day of trading of our common stock after our initial public offering) and ending December 31, 2006, assuming an investment of $100 and the reinvestment of any dividends.

Our peer group index was selected by us and is comprised of reporting companies with lines of business and product offerings that are comparable to ours and which we believe most accurately represent our business. Our peer group consists of the following companies: Beacon Roofing Supply Inc., Builders Firstsource, Building Materials Holding Corporation, Huttig Building Products Inc., Interline Brands Inc., Universal Forest Products Inc. and Watsco Inc.

COMPARISON OF CUMULATIVE TOTAL RETURN

Cumulative Total Return
Quarter Ending
(in dollars)

Index Name	Base Period 12/16/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/05	3/31/06	6/30/06	9/30/06
oldings Inc.	100	107.19	101.00	80.03	102.61	86.84	124.48	102.34	75.76
0 Index	100	101.55	96.13	100.28	104.98	106.17	120.97	114.89	115.40
	100	101.82	110.60	126.32	159.08	151.60	176.58	153.65	130.26

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ITEM 6. *SELECTED FINANCIAL DATA.*

We were created on March 8, 2004 (date of inception) as a Georgia corporation named ABP Distribution Holdings Inc. On May 7, 2004, the Company and its operating company acquired the assets of the distribution division of Georgia-Pacific, or the Division, as described below. On August 30, 2004, ABP Distribution Holdings Inc. merged into BlueLinx Holdings Inc., a Delaware corporation. The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The financial statements of the Division reflect the accounts and results of certain operations of the business conducted by the Division. The accompanying financial statements of the Division have been prepared from Georgia-Pacific s historical accounting records and are presented on a carve-out basis reflecting these certain assets, liabilities, and operations. The Division was an unincorporated business of Georgia-Pacific and, accordingly, Georgia-Pacific s net investment in these operations (parent s net investment) is presented in lieu of stockholder s equity. All significant intradivision transactions have been eliminated. The financial statements are not necessarily indicative of the financial position, results of operations and cash flows that might have occurred had the Division been an independent entity not integrated into Georgia-Pacific s other operations. Also, they may not be indicative of the actual financial position that might have otherwise resulted, or of the future results of operations or financial position of the Division.

The following table sets forth certain historical financial data of our company. The selected financial data for the fiscal year ended December 30, 2006 (fiscal 2006), the fiscal year ended December 31, 2005 (fiscal 2005), the period from inception (March 8, 2004) to January 1, 2005, the period from January 4, 2004 to May 7, 2004 (the aggregate period from January 4, 2004 through January 1, 2005 referred to herein as fiscal 2004), the fiscal year ended January 3, 2004 (fiscal 2003) and the fiscal year ended December 28, 2002 (fiscal 2002) have been derived from the Company s and the Division s audited financial statements included elsewhere in this Annual Report on Form 10-K or from prior financial statements (fiscal 2002 and fiscal 2003). The financial statements prior to May 7, 2004 are referred to as pre-acquisition period statements. The following information should be read in conjunction with our financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations.

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The acquisition of the assets of the Division was accounted for using the purchase method of accounting, and the assets acquired and liabilities assumed were accounted for at their fair market values at the date of consummation.

	BlueLinx			Pre-Acquisition Period		
	Year Ended December 30, 2006	Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004	Year Ended January 3, 2004	Year Ended December 28, 2002
	(In thousands, except per share data)					
Statement of Operations Data:						
Net sales	$ 4,899,383	$ 5,622,071	$ 3,672,820	$ 1,885,334	$ 4,271,842	$ 3,734,029
Cost of sales	4,419,576	5,109,632	3,339,590	1,658,123	3,814,375	3,370,995
Gross profit	479,807	512,439	333,230	227,211	457,467	363,034
Operating expenses:						
Selling, general and administrative expenses	381,554	378,008	248,291	139,203	346,585	295,492
Depreciation and amortization	20,724	18,770	10,132	6,175	19,476	21,757
Total operating expenses	402,278	396,778	258,423	145,378	366,061	317,249
Operating income	77,529	115,661	74,807	81,833	91,406	45,785
Non-operating expenses (income):						
Interest expense	46,164	42,311	28,765			
Charges associated with mortgage refinancing	4,864					
Write-off of debt issue costs			2,871			
Other expense (income), net	320	186	(516)	614	376	348
Income before provision for income taxes	26,181	73,164	43,687	81,219	91,030	45,437
Provision for income taxes	10,349	28,561	17,781	30,782	34,877	17,597

Net income	$	15,832	$	44,603	$	25,906	$	50,437	$	56,153	$	27,840
Less: preferred stock dividends						5,226						
Net income applicable to common stockholders	$	15,832	$	44,603	$	20,680						
Basic weighted average number of common shares outstanding		30,618		30,195		19,006						
Basic net income per share applicable to common stock	$	0.52	$	1.48	$	1.09						
Diluted weighted average number of common shares outstanding		30,779		30,494		20,296						
Diluted net income per share applicable to common stock	$	0.51	$	1.46	$	1.02						
Dividends declared per share of common stock	$	0.50	$	0.50								
Other Financial Data:												
Capital expenditures	$	9,601	$	12,744	$	9,759	$	1,378	$	5,404	$	3,596
EBITDA(1)		97,933		134,245		85,455		87,394		110,506		67,194
Net cash provided by (used in) operating activities		63,204		124,937		137,246		(113,982)		59,575		46,690
Net cash provided by (used in) investing activities		(18,170)		(28,499)		(832,992)		(1,126)		(4,062)		(2,785)
Net cash provided by (used in) financing activities	$	(42,312)	$	(87,690)	$	711,318	$	114,602	$	(55,162)	$	(44,127)
Balance Sheet Data (at end of period):												
Cash and cash equivalents	$	27,042	$	24,320	$	15,572			$	506	$	155
Working capital		520,237		529,983		491,975				442,672		433,917
Total assets		1,004,362		1,157,640		1,137,062				816,644		784,949
Total debt(2)		532,462		540,850		652,103						
Shareholders equity/parent s investment	$	189,399	$	183,852	$	141,492			$	637,073	$	644,171

(1) EBITDA is an amount equal to net income (loss) plus interest expense, write-off of debt issue costs, charges associated with mortgage refinancing, income taxes, depreciation and amortization. EBITDA is

presented herein because we believe it is a useful supplement to cash flow from operations in understanding cash flows generated from operations that are available for debt service (interest and principal payments) and further investment in acquisitions. However, EBITDA is not a presentation made in accordance with generally accepted accounting principles in the United States, or GAAP, and is not intended to present a superior measure of the financial condition from those determined under GAAP. EBITDA, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculations.

(2) Total debt represents long-term debt, including current maturities.

A reconciliation of net cash provided by (used in) operating activities, the most directly comparable GAAP measure, to EBITDA for each of the respective periods indicated is as follows:

	BlueLinx			Pre-Acquisition Period		
	Year Ended December 30, 2006	Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004	Year Ended January 3, 2004	Year Ended December 28, 2002
	(In thousands)					
Net cash provided by (used in) operating activities	$ 63,204	$ 124,937	$ 137,246	$ (113,982)	$ 59,575	$ 46,690
Amortization of debt issue costs	(2,628)	(3,629)	(2,323)			
Deferred income tax (provision) benefit	3,700	368	4,469	(9,183)	(4,598)	3,181
Stock-based compensation	(3,137)	(2,170)	(1,088)			
Changes in assets and liabilities	(19,719)	(56,133)	(99,395)	179,777	20,652	(274)
Interest expense	46,164	42,311	28,765			
Provision for income taxes	10,349	28,561	17,781	30,782	34,877	17,597
EBITDA	$ 97,933	$ 134,245	$ 85,455	$ 87,394	$ 110,506	$ 67,194

ITEM 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.***

Overview

Company Background

BlueLinx is a leading distributor of building products in the United States. We measure our market share based on data published annually by Home Channel News, or HCN. We define market share as our sales as a percentage of the reported sales of the firms on HCN s list, as adjusted to eliminate firms that do not compete with us and, for certain firms, the portion of their sales attributable to businesses that do not compete with us.

As of December 30, 2006, we distributed more than 10,000 products to approximately 11,500 customers through our network of more than 70 warehouses and third-party operated warehouses which serve all major metropolitan markets in the United States. We distribute products in two principal categories: structural products and specialty products. Structural products include plywood, OSB, rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Structural products represented approximately 56% and 62% of our fiscal 2006 and fiscal 2005 gross sales, respectively. Specialty products include roofing, insulation, moulding, engineered wood, vinyl products (used primarily in siding) and metal products (excluding rebar and remesh). Specialty products accounted for approximately 44% and 38% of our fiscal 2006 and fiscal 2005 gross sales, respectively.

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Acquisition of Building Products Distribution Division s Assets from Georgia-Pacific

On March 12, 2004, BlueLinx and our operating company entered into two separate definitive agreements to acquire the real estate and operating assets, respectively, of the Division. The transactions were consummated on May 7, 2004. We refer to the period prior to May 7, 2004 as the pre-acquisition period. The Division s financial data for the pre-acquisition period generally will not be comparable to our financial data for the period after the acquisition. The principal factors affecting comparability are incremental costs that we will incur as a separate company, discussed in greater detail below; interest costs attributable to debt we have incurred in connection with the acquisition and mortgage refinancing transactions; and the effects of the purchase method of accounting applied to the acquisition transactions. The acquisition of the assets of the Division was accounted for using the purchase method of accounting, and the assets acquired and liabilities assumed were accounted for at their fair market values at the date of consummation.

On May 7, 2004, we entered into a multi-year supply agreement with Georgia-Pacific. Under the agreement, we have exclusive distribution rights on certain products and certain customer segments. Georgia-Pacific is our largest vendor, with Georgia-Pacific products representing approximately 24% and 28% of our purchases during fiscal 2006 and fiscal 2005, respectively.

During the pre-acquisition period, Georgia-Pacific charged the Division for the estimated cost of certain functions that were managed by Georgia-Pacific and could reasonably be directly attributed to the operations of the Division. These costs included dedicated human resources, legal, accounting and information systems support. The charges to the Division were based on Georgia-Pacific management s estimate of the services specifically used by the Division. Where determinations based on specific usage alone were impracticable, other methods and criteria were used that management believes are equitable and provide a reasonable estimate of the cost attributable to the Division. The total of the allocations was $5.9 million for the period from January 4, 2004 to May 7, 2004. Certain general corporate expenses were not allocated to the Division. These expenses included portions of property and casualty insurance premiums, health and welfare administration costs, human resources administration costs, finance administration costs and legal costs. We estimate that these incremental costs would have been approximately $5 million for the period from January 4, 2004 to May 7, 2004.

We believe the assumptions underlying the Division s financial statements are reasonable. However, the Division s financial statements do not necessarily reflect what our future results of operations, financial position and cash flows will be, nor do they reflect what our results of operations, financial position and cash flows would have been had we been a separate, independent company during the periods presented.

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Selected Factors that Affect our Operating Results

Our operating results are affected by housing starts, mobile home production, industrial production, repair and remodeling spending and non-residential construction. The table below shows changes with respect to each of these indicators for fiscal 2006, fiscal 2005 and fiscal 2004. Included are our estimates of the relative weight of each of the foregoing end-use markets on our sales, based on the estimated percentage each end market contributed to our net sales over the applicable period.

Indicator	**Weight**	**Fiscal 2006**	**Fiscal 2005**	**Fiscal 2004**
Actual Housing Starts (thousands)	50%	1,801	2,065	1,956
Percentage change		(12.9)%	5.6%	5.8%
Actual Mobile Homes (thousands)	8%	119	150	131
Percentage change		(19.0)%	14.6%	0.0%
Industrial Production (index)	22%	1.12	1.08	1.05
Percentage change		4.0%	3.2%	4.1%
Repair and Remodel ($ billions)*	15%	166	165	165
Percentage change		0.9%	(0.4)%	5.0%
Non-Residential Construction ($ billions)*	5%	134	132	136
Percentage change		1.7%	(3.3)%	(0.1)%
Weighted End-Use Change	100%	(6.9)%	4.4%	4.5%

* Constant fiscal 2000 dollar basis.

Source: Data from Resource Information Systems, Inc., or RISI, updated as of January 30, 2007. Weighting reflects management estimates. Data for Fiscal 2005 and Fiscal 2004 is reported based on RISI data provided at the time of our original disclosure for such periods and is not updated to reflect any revisions made by RISI in subsequent periods.

We measure our growth in unit volume (on a constant dollar basis) compared to the weighted average growth of the foregoing end-use indicators. In addition, we measure our growth in specialty product unit volume and structural product unit volume compared to the weighted average growth rate of the foregoing end-use indicators. The following table illustrates our unit volume growth versus the end-use indicators discussed above:

	Fiscal 2006	**Fiscal 2005**	**Fiscal 2004**
BlueLinx Overall Unit Volume Growth	(7.0)%	3.9%	8.2%
BlueLinx Specialty Product Unit Volume Growth	1.0%	5.1%	7.6%
BlueLinx Structural Product Unit Volume Growth	(11.8)%	3.2%	8.6%
Weighted End-Use Market Growth	(6.9)%	4.4%	4.5%
BlueLinx Overall Unit Volume Growth versus Market Growth	(0.1)%	(0.5)%	3.7%

BlueLinx Market Share(1)	NA	11.5%	11.8%

(1) As a percentage of the total sales of relevant building material distributors. Market share for fiscal 2006 is not available. Market share cannot be calculated until Home Channel News issues updated market data for 2006. Home Channel News normally issues its annual market data for any given year in July or August of the following calendar year.

Our operating results are also impacted by changes in product prices. Structural products prices can vary significantly based on short-term and long-term changes in supply and demand. The prices of specialty products also can vary from time to time, although they generally are significantly less variable than structural products.

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The following table sets forth changes in net sales by product category, sales variances due to changes in unit volume and dollar and percentage changes in unit volume and price, in each case for fiscal 2006, fiscal 2005 and fiscal 2004:

Sales Revenue Variances by Product

	Fiscal 2006	Fiscal 2005	Fiscal 2004
		(Dollars in millions)	
Sales by Category			
Structural Products(1)	$ 2,788	$ 3,548	$ 3,656
Specialty Products(1)	2,197	2,143	1,960
Unallocated Allowances and Adjustments	(86)	(69)	(58)
Total Sales	$ 4,899	$ 5,622	$ 5,558
Sales Variances			
Unit Volume $ Change	$ (398)	$ 216	$ 351
Price/Other(2)	(325)	(152)	935
Total $ Change	$ (723)	$ 64	$ 1,286
Unit Volume % Change	(7.0)%	3.9%	8.2%
Price/Other(2)	(5.9)%	(2.8)%	21.9%
Total % Change	(12.9)%	1.1%	30.1%

(1) For the quarter ended December 31, 2005, we began classifying metal rebar and remesh as structural products instead of specialty products. Fiscal 2004 Sales by Category have been adjusted to move sales of rebar/remesh from Specialty Products sales to Structural Products sales. This adjustment has no impact on Total Sales.

(2) Other includes unallocated allowances and discounts.

The following table sets forth changes in gross margin dollars and percentages by product category, and percentage changes in unit volume growth by product, in each case for fiscal 2006, fiscal 2005 and fiscal 2004:

	Fiscal 2006	Fiscal 2005	Fiscal 2004
		(Dollars in millions)	
Gross Margin $ by Category			
Structural Products(1)	$ 194	$ 246	$ 310
Specialty Products(1)	308	284	280
Other(2)	(22)	(18)	(30)

Total Gross Margin $	$ 480	$ 512	$ 560
Gross Margin % by Category			
Structural Products(1)	7.0%	6.9%	8.5%
Specialty Products(1)	14.0%	13.3%	14.3%
Total Gross Margin %	9.8%	9.1%	10.1%
Unit Volume Growth by Product			
Structural Products(1)	(11.8)%	3.2%	8.6%
Specialty Products(1)	1.0%	5.1%	7.6%
Total Unit Volume Growth %	(7.0)%	3.9%	8.2%

(1) For the quarter ended December 31, 2005, we began classifying metal rebar and remesh as structural products instead of specialty products. Fiscal 2004 Sales by Category have been adjusted to move sales of rebar/remesh from Specialty Products sales to Structural Products sales. This adjustment has no impact on Total Sales.

(2) Other includes unallocated allowances and discounts.

The following table sets forth changes in net sales and gross margin by channel and percentage changes in gross margin by channel, in each case for fiscal 2006, fiscal 2005 and fiscal 2004:

	Fiscal 2006	Fiscal 2005	Fiscal 2004
		(Dollars in millions)	
Sales by Channel			
Warehouse/Reload	$ 3,326	$ 3,704	$ 3,819
Direct	1,659	1,987	1,797
Unallocated Allowances and Adjustments	(86)	(69)	(58)
Total	$ 4,899	$ 5,622	$ 5,558
Gross Margin by Channel			
Warehouse/Reload	$ 407	$ 429	$ 489
Direct	95	101	101
Unallocated Allowances and Adjustments	(22)	(18)	(30)
Total	$ 480	$ 512	$ 560
Gross Margin % by Channel			
Warehouse/Reload	12.2%	11.6%	12.8%
Direct	5.7%	5.1%	5.6%
Unallocated Allowances and Adjustments	(0.4)%	(0.3)%	(0.5)%
Total	9.8%	9.1%	10.1%

Fiscal Year

Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. The fiscal years 2006, 2005 and 2004 each contained 52 weeks.

Results of Operations

Fiscal 2006 Compared to Fiscal 2005

The following table sets forth our results of operations for fiscal 2006 and fiscal 2005.

Year Ended	% of	Year Ended	% of

	December 30, 2006	Net Sales	December 31, 2005	Net Sales
	(Dollars in thousands)			
Net sales	$ 4,899,383	100.0%	$ 5,622,071	100.0%
Gross profit	479,807	9.8%	512,439	9.1%
Selling, general & administrative	381,554	7.8%	378,008	6.7%
Depreciation and amortization	20,724	0.4%	18,770	0.3%
Operating income	77,529	1.6%	115,661	2.1%
Interest expense	46,164	0.9%	42,311	0.8%
Charges associated with mortgage refinancing	4,864	0.1%		0.0%
Other expense, net	320	0.0%	186	0.0%
Income before provision for income taxes	26,181	0.5%	73,164	1.3%
Income tax provision	10,349	0.2%	28,561	0.5%
Net income	$ 15,832	0.3%	$ 44,603	0.8%

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Net Sales. For the fiscal year ended December 30, 2006, net sales decreased by 12.9%, or $723 million, to $4.9 billion. Sales during the fiscal year were negatively impacted by a 12.9% decline in housing starts and a 27% decline in prices for certain grades of wood-based structural products. New home construction represents approximately 50% of our end-use markets; our other end-use markets grew slightly. Specialty sales, primarily consisting of roofing, specialty panels, insulation, moulding, engineered wood products, vinyl siding, composite decking and metal products (excluding rebar and remesh) increased by $54.0 million or 2.5% compared to fiscal 2005, reflecting a 1.0% increase in unit volume and higher product prices. Structural sales, including plywood, OSB, lumber and metal rebar, decreased by $760 million, or 21.4% from a year ago, primarily as a result of a decrease in unit volume of 11.8%.

Gross Profit. Gross profit for fiscal 2006 was $480 million, or 9.8% of sales, compared to $512 million, or 9.1% of sales, in fiscal 2005. The decrease in gross profit dollars compared to fiscal 2005 was driven primarily by decreases in structural product prices and a reduction in structural product sales due to a slowdown in the housing market. Gross margin increased by 0.7% to 9.8%, reflecting growth in higher-margin specialty products and our efforts to manage structural product inventory in a declining price environment for wood-based structural products.

Operating Expenses. Operating expenses for fiscal 2006 were $382 million, or 7.8% of net sales, compared to $378 million, or 6.7% of net sales, during fiscal 2005. Excluding expenses associated with acquired operations, operating expenses for fiscal 2006 and fiscal 2005 were $365 million and $371 million, respectively.

Depreciation and Amortization. Depreciation and amortization expense totaled $20.7 million for fiscal 2006, compared with $18.8 million for fiscal 2005. The increase in depreciation and amortization is primarily due to an increase in capital expenditures for mobile equipment consisting of trucks, trailers, forklifts and automobiles.

Operating Income. Operating income for fiscal 2006 was $77.5 million, or 1.6% of net sales, versus $116 million, or 2.1% of net sales, for fiscal 2005, reflecting the decline in gross profit and higher variable operating expenses.

Interest Expense. Interest expense for fiscal 2006 totaled $46.2 million, up $3.9 million from fiscal 2005, reflecting higher interest rates partially offset by lower debt levels. Interest expense related to our revolving credit facility, new mortgage, old mortgage and debt issue cost amortization was $27.8 million, $10.7 million, $5.1 million and $2.6 million, respectively, for fiscal 2006. Interest expense totaled $42.3 million for fiscal 2005, which includes interest expense related to our revolving credit facility, mortgage and related debt issue cost amortization of $29.4 million, $9.3 million and $3.6 million, respectively.

Additionally, fiscal 2006 included charges of $4.9 million associated with the mortgage refinancing, which included unamortized debt financing costs of $3.2 million.

Provision for Income Taxes. Our effective tax rate was 39.5% and 39.0% for fiscal 2006 and fiscal 2005, respectively. The increase in the effective tax rate resulted primarily from the greater impact of permanent differences, such as meals and entertainment, on the lower fiscal 2006 earnings.

Net Income. Net income for fiscal 2006 was $15.8 million, compared to $44.6 million for fiscal 2005.

On a per-share basis, basic and diluted income applicable to common stockholders for fiscal 2006 were $0.52 and $0.51, respectively. Basic and diluted earnings per share for fiscal 2005 were $1.48 and $1.46, respectively.

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Fiscal 2005 Compared to Fiscal 2004

The following table sets forth the Company s and the Division s results of operations for fiscal 2005 and fiscal 2004. The results of operations for fiscal 2004 combine the pre-acquisition period from January 4, 2004 to May 7, 2004 of the Division and the period from inception (March 8, 2004) to January 1, 2005 of the Company.

	BlueLinx				Pre-Acquisition Period			
	Year Ended December 31, 2005	% of Net Sales	Period from Inception (March 8, 2004) to January 1, 2005	% of Net Sales	Period from January 4, 2004 to May 7, 2004	% of Net Sales	Combined Year Ended January 1, 2005	% of Net Sales
				(Dollars in thousands)			(Unaudited)	
Net sales	$ 5,622,071	100.0%	$ 3,672,820	100.0%	$ 1,885,334	100.0%	$ 5,558,154	100.0%
Gross profit	512,439	9.1%	333,230	9.1%	227,211	12.1%	560,441	10.1%
Selling, general & administrative	378,008	6.7%	248,291	6.8%	139,203	7.4%	387,494	7.0%
Depreciation and amortization	18,770	0.3%	10,132	0.3%	6,175	0.3%	16,307	0.3%
Operating income	115,661	2.1%	74,807	2.0%	81,833	4.3%	156,640	2.8%
Interest expense	42,311	0.8%	28,765	0.8%		0.0%	28,765	0.5%
Write-off debt issue costs		0.0%	2,871	0.1%		0.0%	2,871	0.1%
Other expense, net	186	0.0%	(516)	0.0%	614	0.0%	98	0.0%
Income before provision for income taxes	73,164	1.3%	43,687	1.2%	81,219	4.3%	124,906	2.2%
Income tax provision	28,561	0.5%	17,781	0.5%	30,782	1.6%	48,563	0.9%
Net income	$ 44,603	0.8%	$ 25,906	0.7%	$ 50,437	2.7%	$ 76,343	1.3%

Net Sales. For the fiscal year ended December 31, 2005, net sales were $5.62 billion, up $64 million or 1.1% from fiscal 2004. Specialty sales, primarily consisting of roofing, specialty panels, insulation, moulding, engineered wood products, vinyl siding, composite decking, and metal products (excluding rebar and remesh), were up $183 million or 9% higher than fiscal 2004. This increase was driven by 5.1% growth in unit volume. Structural sales including plywood, OSB, lumber, and metal rebar, were down $108 million, or 3%, from fiscal 2004, as a 3% increase in unit volume was more than offset by lower plywood and OSB prices.

Gross Profit. Gross profit for 2005 was $512 million compared to $560 million in fiscal 2004. The decrease in gross profit of $48 million or 8.6%, compared to 2004 was driven primarily by a decline in structural product margins from 8.5% in 2004 to 6.9% in fiscal 2005.

Operating Expenses. Operating expenses for fiscal 2005 were $378 million, or 6.7% of net sales, compared to $387 million, or 7.0% of net sales, during fiscal 2004. Excluding expenses associated with acquired operations, operating expenses for fiscal 2005 were $371 million. The reduction in operating expenses was primarily the result of decreases in sales promotions and lower bad debt expense, partially offset by higher fuel costs.

Depreciation and Amortization. Depreciation and amortization expense totaled $18.8 million for fiscal 2005, compared with $16.3 million for fiscal 2004. The increase in depreciation and amortization is primarily due to an increase in capital expenditures for mobile equipment consisting of trucks, trailers, forklifts and automobiles.

Operating Income. Operating income for fiscal 2005 was $116 million, or 2.1% of net sales, versus $157 million, or 2.8% of net sales, for fiscal 2004, reflecting the decline in gross profit, partially offset by lower variable operating expenses.

Interest Expense. Interest expense totaled $42.3 million for fiscal 2005, which includes interest expense related to our revolving credit facility, mortgage and related debt issue cost amortization of $29.4 million, $9.3 million and $3.6 million, respectively. Interest expense totaled $28.8 million for fiscal 2004, which includes interest expense related to our revolving credit facility, term loan, old mortgage, new mortgage and debt issue cost amortization of $13.1 million, $6.4 million, $4.8 million, $1.4 million and $2.3 million, respectively. Interest expense on the final working capital settlement with Georgia-Pacific for the acquisition of the Division was $0.8 million. In addition, we wrote off $2.9 million of unamortized debt issue costs upon retirement of our term loan. The Division did not incur interest expense prior to the May 7, 2004 acquisition.

Provision for Income Taxes. Our effective tax rate was 39.0% and 38.9% for fiscal 2005 and fiscal 2004, respectively. The 2005 rate reflects the benefit of various tax credits approved during the year. Without these credits, our effective tax rate would have been 39.7%. This higher effective tax rate is principally a result of BlueLinx operating as a stand-alone company. As part of Georgia-Pacific, the Division was combined with the other divisions of Georgia-Pacific for state tax purposes. The other differences resulted from higher non-deductible expenses and deemed repatriation of Canadian earnings.

Net Income. Net income for fiscal 2005 was $44.6 million, compared to $76.3 million for fiscal 2004. Our net income for the period from January 4, 2004 to May 7, 2004 was achieved as a division of Georgia-Pacific and did not include interest expense and certain corporate overhead expenses that are included in the results for the same period in fiscal 2005.

On a per-share basis, basic and diluted income applicable to common stockholders for fiscal 2005 were $1.48 and $1.46, respectively. Basic and diluted earnings per share for the period from inception (March 8, 2004) to January 1, 2005 were $1.09 and $1.02, respectively. For the period prior to May 7, 2004, there were no earnings per share as a result of the business operating for much of that period as a division of Georgia-Pacific.

Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season. We expect these trends to continue for the foreseeable future.

Liquidity and Capital Resources

We depend on cash flow from operations and funds available under our revolving credit facility to finance working capital needs, capital expenditures, dividends and acquisitions. We believe that the amounts available from this and other sources will be sufficient to fund our routine operations and capital requirements for the foreseeable future. The Division s principal source of liquidity historically had been the consolidated resources of Georgia-Pacific.

Part of our growth strategy is to selectively pursue acquisitions. Accordingly, depending on the nature of the acquisition or currency, we may use cash or stock, or a combination of both, as acquisition currency. Our cash requirements may significantly increase and incremental cash expenditures will be required in connection with the integration of the acquired company s business and to pay fees and expenses in connection with any acquisitions. To the extent that significant amounts of cash are expended in connection with acquisitions, our liquidity position may be adversely impacted. In addition, there can be no assurance that we will be successful in implementing our acquisition strategy. For a discussion of the risks associated with our acquisition strategy, see the risk factor *Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows* set forth under Item 1A Risk Factors.

The following tables indicate our working capital and cash flows for the periods indicated.

	December 30, 2006	December 31, 2005
	(Dollars in thousands)	
Working capital	$ 520,237	$ 529,983

	BlueLinx			Pre-Acquisition Period	Combined
	Year Ended December 30, 2006	Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004	Year Ended January 1, 2005 (Unaudited)
	(Dollars in thousands)				
Cash flows provided by (used for) operating activities	$ 63,204	$ 124,937	$ 137,246	$ (113,982)	$ 23,264
Cash flows provided by (used for) investing activities	(18,170)	(28,499)	(832,992)	(1,126)	(834,118)
Cash flows provided by (used for) financing activities	$ (42,312)	$ (87,690)	$ 711,318	$ 114,602	$ 825,920

Working Capital

Working capital decreased by $9.7 million, primarily as a result of decreases in accounts receivable and inventories of $91.6 million and $62.4 million, respectively. These decreases were largely offset by decreases in accounts payable and bank overdrafts of $131 million and $12.2 million, respectively. Additionally, cash increased from $24.3 million at December 31, 2005 to $27.0 million at December 30, 2006. The $27.0 million of cash on our balance sheet at December 30, 2006 primarily reflects customer remittances received in our lock-boxes on Friday and Saturday that are not available until the next Monday, which is part of the following fiscal period.

Operating Activities

During fiscal 2006, cash flows provided by operating activities totaled $63.2 million. The primary drivers of cash flow from operations were net income, as adjusted for non-cash charges, of $41.8 million and an increase in cash flow from operations related to working capital of $23.2 million reflecting decreases in accounts receivable and a reduction in structural product inventory, partially offset by decreases in accounts payable and a slight increase in specialty products inventory.

During fiscal 2005, cash flows provided by operating activities totaled $125 million. The primary drivers of cash flow from operations were net income, as adjusted for non-cash charges, of $68.8 million and an increase in cash flow from operations related to working capital of $50.1 million reflecting improvements in working capital management.

During fiscal 2004, cash flows provided by operating activities totaled $23.3 million. The primary driver of cash flow from operations was net income, as adjusted for non-cash charges, of $103.6 million. Offsetting this source of cash was a decrease in cash flow from operations related to working capital of $80.2 million. The change in working capital for fiscal 2004 reflected increases in inventory and accounts receivables associated with increased sales revenue, partially offset by an increase of $99 million in payables to Georgia-Pacific. Payables to Georgia-Pacific were classified as parent s investment at January 3, 2004.

Adjustments to net income included depreciation and amortization, debt issue cost amortization, charges associated with mortgage refinancing, deferred income tax benefit and stock-based compensation.

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Investing Activities

During fiscal 2006 and fiscal 2005, cash flows used for investing activities totaled $18.2 million and $28.5 million, respectively.

During fiscal 2006 and fiscal 2005, our acquisition related expenditures totaled $9.4 million and $16.9 million, respectively.

During fiscal 2006 and fiscal 2005, our expenditures for property and equipment were $9.6 million and $12.7 million, respectively. These expenditures were primarily for mobile equipment consisting of trucks, trailers, forklifts and sales force automobiles. We estimate that capital expenditures for 2007 will be approximately $13.5 million for normal operating activities. Our 2007 capital expenditures are anticipated to be paid from our current cash and cash provided from operating activities.

Proceeds from the sale of property and equipment totaled $0.8 million and $1.2 million during fiscal 2006 and fiscal 2005, respectively.

During fiscal 2004, cash flows used for investing activities totaled $834 million. On May 7, 2004, we and our operating company acquired the real estate and operating assets of the Division. We paid purchase consideration of approximately $823 million to Georgia-Pacific for the Division.

Our expenditures for property and equipment were $11.1 million in fiscal 2004. These expenditures were primarily for mobile equipment.

Proceeds from the sale of property and equipment totaled $0.3 million in fiscal 2004.

Financing Activities

Net cash used in financing activities was $42.3 million during fiscal 2006 and $87.7 million during fiscal 2005. The $45.4 million decrease in cash flows used in financing activities was primarily driven by proceeds from the new mortgage, in the amount of $295 million. These increases in cash flows provided by financing activities were partially offset by the retirement of the old mortgage of $165 million and a decrease in bank overdrafts of $42.5 million. In addition, there were decreases in the revolving credit facility and common stock issuances, of $27.1 million and $8.5 million, respectively. Prepayment fees associated with the old mortgage for fiscal 2006 totaled $2.5 million.

We paid dividends to our common stockholders in the aggregate amount of $15.4 million and $15.1 million in fiscal 2006 and fiscal 2005, respectively.

Net cash provided by financing activities was $826 million for fiscal 2004, which primarily resulted from net proceeds from our (i) revolving credit facility of $487 million, (ii) our mortgage payable of $165 million and (iii) our issuance of common stock of $121 million, all of which relate to our acquisition of the assets of the Distribution Division. Fees paid to issue debt in 2004 totaled $21.2 million.

Debt and Credit Sources

On May 7, 2004, our operating company entered into a revolving credit facility. As of December 30, 2006, advances outstanding under the revolving credit facility were approximately $237 million. Borrowing availability was approximately $281 million and outstanding letters of credit on this facility were approximately $11.1 million. As of

December 30, 2006, the interest rate on outstanding balances under the revolving credit facility was 6.94%.

On June 9, 2006, certain special purpose entities that are wholly-owned subsidiaries of ours entered into a $295 million mortgage loan with the German American Capital Corporation. The mortgage has a term of ten years and is secured by 57 distribution facilities and 1 office building owned by the special purpose entities. The stated interest rate on the mortgage is fixed at 6.35%. The mortgage loan requires interest-only payments for the first five years followed by level monthly payments of principal and interest based on an amortization period of thirty years. The balance of the loan outstanding at the end of ten years will then become due and payable. German American Capital Corporation assigned half of its interest in the new mortgage loan to

Wachovia Bank, National Association. The new mortgage loan replaced our previously existing $165 million floating rate mortgage, which had a 7.4% interest rate at the time it was terminated. We used the net proceeds we received from the mortgage refinancing to pay down approximately $125 million of our outstanding revolving line of credit.

On June 12, 2006, we entered into an interest rate swap agreement with Goldman Sachs Capital Markets, to hedge against interest rate risks related to our variable rate revolving credit facility. The interest rate swap has a notional amount of $150 million and the terms call for us to receive interest monthly at a variable rate equal to the 30-day LIBOR and to pay interest monthly at a fixed rate of 5.4%. This interest rate swap is designated as a cash flow hedge.

We expect this hedge to be highly effective in offsetting changes in expected cash flows, as, at inception, the critical terms of the interest rate swap materially match the critical terms of our variable rate revolving credit facility. Fluctuations in the fair value of the ineffective portion, if significant, of the cash flow hedge will be reflected in the current period earnings. Such amount for 2006 was insignificant.

Additionally, interest is capped pursuant to a rate cap agreement that caps 30-day LIBOR exposure at 6.0% on $165 million of our variable rate revolving credit facility. The interest rate cap agreement expires in November 2007. Fluctuations in the fair value of the interest rate cap agreement are recognized in current period earnings. These amounts as well as the fair value of the cap were immaterial during fiscal 2006.

At December 30, 2006, the fair value of the interest rate swap was a liability of $2.5 million and was included in Other long-term liabilities on our year-end 2006 Consolidated Balance Sheet. Accumulated other comprehensive income at December 30, 2006 included the net loss on the cash flow hedge (net of tax) of $1.5 million, which reflects the amount of comprehensive loss recognized for fiscal 2006 in connection with the change in fair value of the swap.

Contractual Commitments. The following table represents our contractual commitments, excluding interest, associated with our debt and other obligations disclosed above as of December 30, 2006.

	2007	2008	2009	2010	2011	Thereafter	Total
				(Dollars in thousands)			
Revolving credit facility(1)	$	$	$	$	$ 231,462	$	$ 231,462
Term loan facility(2)					6,000		6,000
Mortgage indebtedness(3)					1,511	293,489	295,000
Subtotal					238,973	293,489	532,462
Purchase obligations(4)	494,653	494,653	164,884				1,154,190
Operating leases	6,956	6,556	6,138	5,396	4,530	29,005	58,581
Letters of credit(5)	11,093						11,093
Total	$ 512,702	$ 501,209	$ 171,022	$ 5,396	$ 243,503	$ 322,494	$ 1,756,326

(1) Interest on the revolving credit facility is variable, based on 14-day, one-month, two-month, three-month or six-month LIBOR. The interest rate on the revolving credit facility was 6.94% at December 30, 2006. On June 12, 2006, we entered into an interest swap agreement with Goldman Sachs Capital Markets to hedge against interest rate risks on $150 million of our revolving credit facility. The terms call for us to pay interest monthly at 5.4%. Annual interest at these rates totals $14.2 million. At December 30, 2006, the outstanding

balance of our credit facility was approximately $237 million. The final maturity date of the revolving credit facility is May 7, 2011.

(2) Term loan facility was used to refinance and consolidate certain loans made by the revolving loan lenders to the Company.

(3) The interest rate on the new mortgage is fixed at 6.35%. Annual interest at this rate is $18.7 million.

(4) Our purchase obligations are related to our Supply Agreement with Georgia-Pacific.

(5) Letters of credit not included above under the credit facilities.

Purchase orders entered into in the ordinary course of business are excluded from the above table. Amounts for which we are liable under purchase orders are reflected on our Consolidated Balance Sheet (to the extent entered into prior to the end of the applicable period) as accounts payable and accrued liabilities.

Critical Accounting Policies

Our significant accounting policies are more fully described in the notes to the consolidated financial statements. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. As with all judgments, they are subject to an inherent degree of uncertainty. These judgments are based on the Company s and the Division s historical experience, current economic trends in the industry, information provided by customers, vendors and other outside sources and management s estimates, as appropriate.

The following are accounting policies that management believes are important to the portrayal of our financial condition and results of operations and require management s most difficult, subjective or complex judgment.

Revenue Recognition

We recognize revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, our price to the buyer is fixed and determinable and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated as FOB (free on board) shipping point. For sales transactions designated FOB destination, revenue is recorded when the product is delivered to the customer s delivery site.

All sales are recorded at gross in accordance with the guidance outlined by EITF 99-19 and in accordance with standard industry practice. The key indicators used to determine this are as follows:

We are the primary obligor responsible for fulfillment;

We hold title to all reload inventory and are responsible for all product returns;

We control the selling price for all channels;

We select the supplier; and

We bear all credit risk.

All revenues recognized are net of trade allowances, cash discounts and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience. Adjustments to earnings resulting from revisions to estimates on discounts and returns have been insignificant for fiscal 2006, fiscal 2005 and fiscal 2004.

Allowance for Doubtful Accounts and Related Reserves

We evaluate the collectibility of accounts receivable based on numerous factors, including past transaction history with customers and their creditworthiness. We maintain an allowance for doubtful accounts for each aging category on our aged trial balance based on our historical loss experience. This estimate is periodically adjusted when we become aware of specific customers inability to meet their financial obligations (*e.g.*, bankruptcy filing or other evidence of liquidity problems). As we determine that specific balances will be ultimately uncollectible, we remove them from our aged trial balance. Additionally, we maintain reserves for cash discounts that we expect customers to earn as well as expected returns. At December 30, 2006, December 31, 2005 and January 1, 2005, these reserves totaled $7.7 million, $10.9 million and $13.4 million, respectively. Adjustments to earnings resulting from revisions to estimates on discounts and uncollectible accounts have been insignificant for fiscal 2006, fiscal 2005 and fiscal 2004.

Inventories

Inventories are carried at the lower of cost or market. The cost of all inventories is determined by the moving average cost method. We evaluate our inventory value at the end of each quarter to ensure that first quality, actively moving inventory, when viewed by category, is carried at the lower of cost or market. The market value of our inventory exceeded its cost at December 30, 2006 and December 31, 2005.

Additionally, we maintain a reserve for the estimated value impairment associated with damaged and inactive inventory. The inactive reserve includes inventory that has had no sales in the past six months or has turn days in excess of 365 days, excluding some specific specialty product items. At December 30, 2006, December 31, 2005 and January 1, 2005, our damaged and inactive inventory reserves totaled $5.1 million, $2.7 million and $3.0 million, respectively. Adjustments to earnings resulting from revisions to inactive estimates have been insignificant for fiscal 2006, fiscal 2005 and fiscal 2004.

Consideration Received from Vendors

Each year, we enter into agreements with many of our vendors providing for inventory purchase rebates, generally based on achievement of specified volume purchasing levels and various marketing allowances that are common industry practice. We accrue for the receipt of vendor rebates based on purchases, and also reduce inventory value to reflect the net acquisition cost (purchase price less expected purchase rebates). At December 30, 2006, December 31, 2005 and January 1, 2005, the vendor rebate receivable totaled $10.1 million, $13.1 million and $10.2 million, respectively. Adjustments to earnings resulting from revisions to rebate estimates have been insignificant for fiscal 2006, fiscal 2005 and fiscal 2004.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment, are reviewed for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset s residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal cash flow estimates, quoted market prices when available and independent appraisals as appropriate to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate. If these projected cash flows are less than the carrying amount, an impairment loss is recognized based on the fair value of the asset less any costs of disposition. Our judgment regarding the existence of impairment indicators is based on market and operational performance. There have been no adjustments to earnings resulting from the impairment of long-lived assets for fiscal 2006, fiscal 2005 and fiscal 2004.

Recently Issued Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS No. 159 on our consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact, if any, of the adoption of SFAS No. 157 on our consolidated financial position, results of operations and cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). The accounting provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. Accordingly, we will be required to adopt FIN 48 in the first quarter of 2007. We are currently evaluating the impact that the adoption will have, if any, on our consolidated financial position, results of operations and cash flows and notes thereto. However, we do not expect the adoption of FIN 48 to have a material impact on our consolidated financial position, results of operations and cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R) which is a revision of SFAS No. 123. SFAS No. 123R supersedes APB No. 25 and amends SFAS No. 95, *Statement of Cash Flows.* Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS No. 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. SFAS No. 123R is effective for fiscal year 2006.

SFAS No. 123R permits public companies to adopt its requirements using one of two methods:

1. A modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123R for all share-based payments granted after the effective date and (b) based on SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date.

2. A modified retrospective method which includes the requirements of the modified prospective method described above, but also permits entities to restate the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures either for (a) all prior periods presented or (b) prior interim periods in the year of adoption.

We adopted SFAS No. 123R using the modified prospective method. The adoption of SFAS No. 123R did not have a material impact on our consolidated financial position, results of operations and cash flows.

Compensation expense arising from stock based awards granted to employees and non-employee directors is recognized as expense using the straight-line method over the vesting period. As of December 30, 2006, there was $5.8 million, $1.7 million and $1.0 million of total unrecognized compensation expense related to stock options, restricted stock and restricted stock units. The unrecognized compensation expense for stock options is expected to be recognized over a period of 3.59 years. For restricted stock and restricted stock units, the unrecognized compensation expense will be recognized over a period of 2.92 years.

During fiscal 2006, our total recognized stock-based compensation expense was $3.1 million.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

We are exposed to risks such as changes in interest rates, commodity prices and foreign currency exchange rates. We employ a variety of practices to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation or trading, and are not used to address risks related to foreign currency exchange rates.

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, we record derivative instruments as assets or liabilities on the balance sheet at fair value.

Less than 1.0% of our net sales are denominated in currencies other than the U.S. dollar, and we do not believe our total exposure to currency fluctuations to be significant.

We believe that general inflation did not significantly affect our operating results or markets in fiscal 2006, fiscal 2005 or fiscal 2004. As discussed above, our results of operations were both favorably and

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unfavorably impacted by increases and decreases in the pricing of certain commodity-based products. Commodity price fluctuations have from time to time created cyclicality in our financial performance and may do so in the future.

On June 9, 2006, certain special purpose entities that are wholly-owned subsidiaries of ours entered into a $295 million mortgage loan with the German American Capital Corporation. The new mortgage has a term of ten years and a fixed interest rate of 6.35%. By entering into this mortgage, we insulated ourselves from changes in market interest rates on a portion of our indebtedness. This mortgage replaced our previously existing $165 million floating rate mortgage, which had a 7.4% interest rate when it was terminated and replaced with the fixed rate mortgage loan.

On June 12, 2006, we entered into an interest rate swap agreement with Goldman Sachs Capital Markets, to hedge against interest rate risks related to our variable rate revolving credit facility. The interest rate swap has a notional amount of $150 million and the terms call for us to receive interest monthly at a variable rate equal to the 30-day LIBOR and to pay interest monthly at a fixed rate of 5.4%. This interest rate swap is designated as a cash flow hedge.

We expect the hedge to be highly effective in offsetting changes in expected cash flows, as, at inception, the critical terms of the interest rate swap materially match the critical terms of the variable rate revolving credit facility. The interest rate swap has the effect of fixing the interest rate on a $150 million LIBOR strip. Fluctuations in the fair value of the ineffective portion of the cash flow hedge will be reflected in current period earnings. Such amount for 2006 was insignificant.

Additionally, interest is capped pursuant to a rate cap agreement that caps 30-day LIBOR exposure at 6.0% on $165 million of our variable rate revolving credit facility. The interest rate cap agreement expires in November 2007. Fluctuations in the fair value of the interest rate cap agreement are recognized in current period earnings. These amounts, as well as the fair value of the cap, were immaterial during fiscal 2006.

At December 30, 2006, the fair value of the interest rate swap was a liability of $2.5 million and was included in Other long-term liabilities on our year-end 2006 Consolidated Balance Sheet. Accumulated other comprehensive income at December 30, 2006 included the net loss on the cash flow hedge (net of tax) of $1.5 million, which reflects the amount of comprehensive loss recognized for fiscal 2006 in connection with the change in the fair value of the swap.

An increase of 100 basis points in market interest rates would increase annual interest expense by approximately $0.3 million. A decrease of 100 basis points in market interest rates would decrease annual interest expense by approximately $0.9 million.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

Index to Financial Statements and Supplemental Data

BLUELINX HOLDINGS INC. AND SUBSIDIARIES

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders of BlueLinx Holdings Inc.:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Our management, including our chief executive officer and our chief financial officer, does not expect that our internal controls over financial reporting will prevent all error and all fraud. Internal controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls are met. Given the inherent limitations of internal controls, internal controls over financial reporting may not prevent or detect all misstatements or fraud. Therefore, no evaluation of internal control can provide absolute assurance that all control issues or instances of fraud will be prevented or detected.

Management assessed the effectiveness of our internal control over financial reporting as of December 30, 2006. In making this assessment, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission set forth in *Internal Control Integrated Framework.* Based on our assessment, our management concluded that, as of December 30, 2006, our internal control over financial reporting was effective.

Ernst & Young LLP, our independent registered public accounting firm, which also audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on management s assessment of our internal control over financial reporting, as stated in their report included in this Annual Report on Form 10-K.

February 23, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
BlueLinx Holdings Inc.

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that BlueLinx Holdings Inc. (formerly ABP Distribution Holdings Inc.) maintained effective internal control over financial reporting as of December 30, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BlueLinx Holdings Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that BlueLinx Holdings Inc. maintained effective internal control over financial reporting as of December 30, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, BlueLinx Holdings Inc. maintained, in all material respects, effective internal control over financial reporting as of December 30, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BlueLinx Holdings Inc. and subsidiaries as of December 30, 2006 and December 31, 2005, and the related consolidated statements of operations and comprehensive income, shareholders equity, and cash flows for the years ended December 30, 2006, December 31, 2005 and for the period from inception (March 8, 2004) to January 1, 2005 and our report dated February 23, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
BlueLinx Holdings Inc.

We have audited the accompanying consolidated balance sheets of BlueLinx Holdings Inc. (formerly ABP Distribution Holdings Inc.) and subsidiaries as of December 30, 2006 and December 31, 2005, and the related consolidated statements of operations and comprehensive income, shareholders equity, and cash flows for the years ended December 30, 2006, December 31, 2005 and for the period from inception (March 8, 2004) to January 1, 2005. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BlueLinx Holdings Inc. and subsidiaries as of December 30, 2006 and December 31, 2005, and the consolidated results of their operations and cash flows for the years ended December 30, 2006, December 31, 2005 and for the period from inception (March 8, 2004) to January 1, 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2, in 2006, BlueLinx adopted the recognition provisions of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans and adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of BlueLinx Holdings Inc. s internal control over financial reporting as of December 30, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2007

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BUILDING PRODUCTS DISTRIBUTION DIVISION OF GEORGIA-PACIFIC CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Georgia-Pacific Corporation

We have audited the accompanying statements of revenue and direct expenses and comprehensive income, direct cash flows, and parent s investment of the Building Products Distribution Division of Georgia-Pacific Corporation for the period from January 4, 2004 to May 7, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the statements of revenue and direct expenses and comprehensive income, direct cash flows, and parent s investment for the period from January 4, 2004 to May 7, 2004 have been prepared for the purpose of possible sale of the Building Products Distribution Division of Georgia-Pacific Corporation, and are not intended to be a complete presentation of the Building Products Distribution Division of Georgia-Pacific Corporation s financial position or results of operations as if it were operated on a stand-alone basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenue and direct expenses and comprehensive income, direct cash flows, and parent s investment of the Building Products Distribution Division of Georgia-Pacific Corporation for the period from January 4, 2004 to May 7, 2004 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 20, 2005

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BLUELINX HOLDINGS INC.
(formerly ABP Distributions Holdings Inc.)

CONSOLIDATED BALANCE SHEETS

	December 30, 2006	December 31, 2005
	(In thousands)	
ASSETS		
Current assets:		
Cash	$ 27,042	$ 24,320
Receivables, less allowances of $7,736 in fiscal 2006 and $10,945 in fiscal 2005	307,543	399,093
Inventories, net	410,686	473,068
Deferred income tax assets	9,024	6,678
Other current assets	44,948	44,909
Total current assets	799,243	948,068
Property, plant, and equipment:		
Land and improvements	56,985	56,521
Buildings	95,814	93,381
Machinery and equipment	61,955	54,200
Construction in progress	2,025	2,350
Property, plant, and equipment, at cost	216,779	206,452
Accumulated depreciation	(38,530)	(22,403)
Property, plant, and equipment, net	178,249	184,049
Other assets	26,870	25,523
Total assets	$ 1,004,362	$ 1,157,640
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 195,815	$ 327,004
Bank overdrafts	50,241	62,392
Accrued compensation	8,574	13,494
Current maturities of long-term debt	9,743	
Other current liabilities	14,633	15,195
Total current liabilities	279,006	418,085
Non-current liabilities:		
Long-term debt	522,719	540,850
Deferred income taxes	1,101	1,911

Other long-term liabilities	12,137	12,942
Total liabilities	814,963	973,788
SHAREHOLDERS EQUITY		
Common Stock, $0.01 par value, 100,000,000 shares authorized; 30,909,630 and 30,251,019 shares issued and outstanding at December 30, 2006 and December 31, 2005, respectively	309	303
Additional paid-in-capital	138,066	132,346
Accumulated other comprehensive income	412	1,023
Retained earnings	50,612	50,180
Total shareholders equity	189,399	183,852
Total liabilities and shareholders equity	$ 1,004,362	$ 1,157,640

See Accompanying Notes

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BLUELINX HOLDINGS INC.
(formerly ABP Distributions Holdings Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME AND BUILDING PRODUCTS DISTRIBUTION DIVISION OF GEORGIA-PACIFIC CORPORATION STATEMENT OF REVENUE AND DIRECT EXPENSES AND COMPREHENSIVE INCOME

	BlueLinx			Pre-Acquisition Period
	Fiscal Year Ended December 30, 2006	Fiscal Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004
	(In thousands, except share data)			
Net sales	$ 4,899,383	$ 5,622,071	$ 3,672,820	$ 1,885,334
Cost of sales	4,419,576	5,109,632	3,339,590	1,658,123
Gross profit	479,807	512,439	333,230	227,211
Operating expenses:				
Selling, general, and administrative	381,554	378,008	248,291	139,203
Depreciation and amortization	20,724	18,770	10,132	6,175
Total operating expenses	402,278	396,778	258,423	145,378
Operating income	77,529	115,661	74,807	81,833
Non-operating expenses (income):				
Interest expense	46,164	42,311	28,765	
Charges associated with mortgage refinancing	4,864			
Write-off of debt issue costs			2,871	
Other expense (income), net	320	186	(516)	614
Income before income taxes	26,181	73,164	43,687	81,219
Provision for income taxes	10,349	28,561	17,781	30,782
Net income	15,832	44,603	25,906	$ 50,437
Less: preferred stock dividends			5,226	
Net income applicable to common shareholders	$ 15,832	$ 44,603	$ 20,680	

Basic weighted average number of common shares outstanding	30,618	30,195	19,006	
Basic net income per share applicable to common shares	$ 0.52	$ 1.48	$ 1.09	
Diluted weighted average number of common shares	30,779	30,494	20,296	
Diluted net income per share applicable to common stock	$ 0.51	$ 1.46	$ 1.02	
Dividends declared per common share	$ 0.50	$ 0.50	$	
Comprehensive income:				
Net income	$ 15,832	$ 44,603	$ 25,906	$ 50,437
Other comprehensive income (loss):				
Foreign currency translation, net of taxes	(58)	276	747	(612)
Unrealized net gain from pension plan, net of taxes	983			
Unrealized loss from cash flow hedge, net of taxes	(1,536)			
Minimum pension liability, net of taxes		1,536	(1,536)	
Comprehensive income	$ 15,221	$ 46,415	$ 25,117	$ 49,825

See Accompanying Notes

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BLUELINX HOLDINGS INC.
(formerly ABP Distributions Holdings Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS AND
BUILDING PRODUCTS DISTRIBUTION DIVISION OF
GEORGIA-PACIFIC CORPORATION
STATEMENT OF DIRECT CASH FLOWS

	BlueLinx			Pre-Acquisition Period
	Fiscal Year Ended December 30, 2006	Fiscal Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004
	(In thousands)			